

May 29, 2020

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) to Electric Utilities' Reply Comments**  
Docket No. E999/AA-20-171

Dear Mr. Seuffert:

Attached please find the Response Comments of the Division of Energy Resources of the Minnesota Department of Commerce (Department) to the electric utilities' reply comments in the matter of the July 1, 2018-December 31, 2019 Annual Automatic Adjustment Reports. The Department requests that the Minnesota Public Utilities Commission (Commission) receive these response comments, which are intended to help complete the record in this matter. Specifically, the Department responds to the reply comments of the following parties:

- Northern States Power Company, d/b/a Xcel Energy, reply comments filed on May 1, 2020;
- Otter Tail Power Company, reply comments filed on April 27, 2020; and
- Minnesota Power, reply comments filed on April 30, 2020.

Based on the review of each of the above-listed reply comments, the Department's attached Response Comments contain revised recommendations to the original recommendations included in the Department's *Review of the July 1, 2018-December 31, 2019 Annual Automatic Adjustment Reports for Electric Utilities* filed on April 15, 2020.

The Department recommends that the Commission adopt the Department's revised recommendations, as discussed in detail herein and summarized at the end of this document. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ MARK A. JOHNSON  
Public Utilities Analyst Coordinator

/s/ NANCY A. CAMPBELL  
Public Utilities Analyst Coordinator

MAJ/NAC/ja  
Attachment

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Before the Minnesota Public Utilities Commission

**Response Comments of the Minnesota Department of Commerce  
Division of Energy Resources**

Docket No. E999/AA-20-171

**I. BACKGROUND**

On April 15, 2020, the Minnesota Department of Commerce, Division of Energy Resources (the Department) filed its *Review of the July 2018-December 2019 Annual Automatic Adjustment Reports* (AAA Report) with the Minnesota Public Utilities Commission (Commission) in the present docket. This review is expected to be the last one under the previous system; as always, these reviews have been intended to help the Commission hold utilities accountable regarding the amount of fuel costs that utilities charge to ratepayers.

The following electric utilities filed reply comments:

- Minnesota Power (Minnesota Power or MP);
- Otter Tail Power Company (Otter Tail or OTP); and
- Northern States Power Company d/b/a Xcel Energy, Incorporated – Electric Utility (Xcel Electric).

Based on the review of each of the above-referenced reply comments, the Department's Response Comments contain revised recommendations to the original recommendations included in the Department's April 15, 2020 AAA Report.

The Department recommends that the Commission adopt the Department's revised recommendations, as discussed in greater detail herein and listed at the end of this document.

**II. DEPARTMENT ANALYSIS – GENERATION MAINTENANCE EXPENSE (MP)**

**A. BACKGROUND**

As explained on page 13 of our AAA Report, the Department requested that MP provide their actual versus budgeted data for generation maintenance expense for 2019 in reply comments. This information is important due to the link between the level of maintenance expense and forced outages. To emphasize this point on page 32 of our AAA Report, the Department requested that MP support the \$13.6 million in charges from the Midcontinent Independent System Operator (MISO) for February 2019 and to provide any plant outage information for that time period.

**B. DEPARTMENT ANALYSIS**

In MP's April 30, 2020 reply comments (MP reply comments), the Company provided its actual generation maintenance expense based on Minnesota Power's 2019 FERC form 1. Below, the Department provides an undated version of Table 3 from page 13 of the AAA Report to reflect this data. The Department notes that, since the filing of the AAA Report MP has withdrawn its 2020 rate case and thus the relevant Test year Budgeted Maintenance Expense has reverted to the MP's 2017 test year, increasing the Test Year Budget from \$36.1 million to \$42.0 million. Thus, the difference between the amount of Maintenance Expense that MP is charging to ratepayers and the actual amount of costs they incurred in 2019 is wider than indicated in our April 15, 2020 Comments.

**Updated Table 3**  
**Comparison of Generation Maintenance Expense<sup>1</sup>**  
**(\$ Millions)**

	Test Year	Rate Case Budgeted	Actual 2018-2019 Average	Difference
Xcel	2016	184.7	167.3	-9.4%
OTP	2016	15.1	15.5	2.5%
MP*	2017	42.0	32.8	-21.9%

The Department notes that MP's actual maintenance expense has steadily fallen since at least 2014, down to a low in 2019 of \$29,564,813. In the two recent years, 2018-2019, MP's average actual costs were 9.1 percent below the \$36.1 million 2020 Test Year Budget, which was withdrawn.

The Department is concerned with MP's continued decrease in generation maintenance expense spending, particularly given the increased outage costs discussed in the MISO Day 2 section below, where the Department discusses MP's response to the Department's questions regarding MISO charges.

Based on the above information and the information on pages 12-13 of the AAA Report, the Department concludes that Xcel, OTP, and MP provided the requested information regarding their 2019 actual and test-year generation maintenance expenses. As a result, the Department concludes that the investor-owned utilities (IOUs) complied with the Commission's February 6, 2008 Order in Docket No. E999/AA-06-1208 and recommends that the Commission accept the IOUs' compliance filings for the AAA reporting period (July 1, 2018-December 31, 2019).

<sup>1</sup> Source: Department Attachment 1 (updated Attachment B3).

### **III. DEPARTMENT ANALYSIS – RENEWABLE\*CONNECT PROGRAM IMPACT (XCEL ELECTRIC)**

#### ***A. BACKGROUND***

On page 18 of our AAA Report, the Department noted that Xcel omitted to address the Commission requirement for a separate section discussing the pilot programs' impact on non-participants and the effectiveness of the neutrality charge, to address any cost shift between participants and nonparticipants. The Department recommended that Xcel Electric provide the required discussion in reply comments.

#### ***B. DEPARTMENT ANALYSIS***

Xcel Electric's reply comments provided the required information, describing the analysis and conclusions as follows:

To understand the potential impact of the Renewable\*Connect Program on nonparticipant energy cost, the Company performed an analysis that compared the marginal cost of energy: in this case, on- and off-peak LMP pricing, to the PPA cost of solar and wind resources allocated to Renewable\*Connect consistent with the analysis the Company performed for the prior annual compliance filing. The results continue to directionally indicate that non-participants were not impacted on a cost of energy basis as the cost of the wind and solar energy exceeded the marginal energy cost estimate. Therefore, in 2019 no incremental costs were borne by nonparticipating customers.

The Department reviewed Xcel Electric's reply comments and agrees with the conclusion that "The results continue to directionally indicate that non-participants were not impacted."

### **IV. DEPARTMENT ANALYSIS – MISO DAY 2 (XCEL ELECTRIC AND MP)**

#### ***A. BACKGROUND***

In our AAA Report at page 30, the Department noted that Xcel Electric's total net MISO Day 2 costs/(revenues) increased significantly from \$6,584,399 in September 2018 to \$10,058,540 in October 2018 and decreased to \$6,555,026 in November 2018. As a result, the Department recommended that Xcel Electric explain the significant increase in October 2018 total net MISO Day costs in reply comments.

Also, as a result of the significant increase in MISO Day 2 charges for FYE19 and FYE20 compared to FYE18, the Department requested that MP explain in reply comments the main

drivers that caused these increases. Additionally, the Department requested that MP in its reply comments provide the MISO bills that support the \$13.6 million in MISO Day 2 and Ancillary Service Market (ASM) net charges for the month February 2019. The Department also requested that MP in its reply comments support its cost allocation of \$10.9 million to retail customers "FPE Retail" for February 2019 (as shown on MP's Attachment 8, page 48) and provide any plant outages information for February 2019.

The Department provides below our responses to the information provided by both utilities.

*B. DEPARTMENT ANALYSIS*

*1. Xcel*

Xcel Electric explained its significant increase in MISO Day 2 charges for October 2018 on page 3 of its reply comments as follows:

The Department recommended that the Company explain in Reply Comments the increase in October 2018 total net MISO Day 2 costs. The Company's October 2018 MISO Day 2 costs were notably higher than September or November 2018 due to the inclusion of \$2,831,004 in prior period adjustments related to a market-wide resettlement. The resettlement was based on revised meter data between January 26, 2018 and March 31, 2018 where a market participant had originally submitted inaccurate meter data to MISO. The erroneous meter data resulted in hourly credits to NSP's load in the form of residual load adjustments. The resettlement of revised meter data started October 15, 2018 and ended on November 5, 2018. The entire impact was accrued for and recorded in the October 2018 reporting period. The Company reported this MISO resettlement in the Unusual Items Over \$500,000 Report provided as Attachment 6 of the December 2018 Fuel Clause Adjustment (FCA) Report dated November 30, 2018. [footnotes omitted].

Based on the above and further review of Xcel's information, the Department concludes that Xcel Electric has reasonably explained its large increase in MISO Day 2 charges for October 2018. As a result, the Department recommends that the Commission accept Xcel Electric's MISO Day 2 reporting and allocations for the AAA reporting period.

2. *MP*

a. Invoice Testing and Cost Allocation for MISO Day 2 and ASM net charges in February 2019

On pages 2 and 3 of MP's reply comments, the Company explained and provided in MP's Attachment B a reconciliation of the February 2019 MISO invoices and the weekly invoices to support the \$13.6 million in MISO Day 2 and ASM net charges, as requested by the Department. MP explained that the reconciliation involves adding together the MISO invoice information plus the current month accrual, then subtracting the prior month accrual and adding any miscellaneous adjustments. MP noted that the reconciliation difference is due to the accrual process. In other words, there are always actual invoice costs plus MP estimates for each month (which are replaced with actual costs in the next month) that make-up the accrual difference that MP notes.

MP also provided a bridging schedule that reconciles the cost allocation among different customer categories as shown on MP's Attachment C. MP's Attachment C provides support for the \$10.9 million in MISO charges allocated to retail customers "FPE Retail" column for February 2019 on a per kWh basis. The Department asked MP informally to provide some additional information to support the \$13.6 million in MISO charges and the resulting allocation of \$10.9 million to retail customers for February 2019. MP provided a slightly updated MP Attachment C spreadsheet that included formulas, color-coding, and some additional calculations to help support the information requested by the Department.<sup>2</sup>

The Department reviewed the MISO invoices that we requested for testing as provided by MP, including the reconciliation to MISO Day 2 and ASM net charges included in the fuel clause for February 2019 of \$13.6 million. The Department also reviewed the cost allocation information that supports the \$10.9 million (of \$13.6 million) allocated to retail customers in February 2019 on a per kWh basis.

Based on the Department's review, we conclude that MP's MISO Day 2 and ASM reporting of net charges and cost allocations are reasonable, with the exception of the replacement power costs for forced generation outages, as discussed in the next section.

As a result, the Department recommends that the Commission approve MP's MISO Day 2 and ASM reporting of net charges and cost allocations as reasonable for the AAA reporting period, with the exception of replacement power costs for plant outages as discussed in the next section.

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<sup>2</sup> See Department Attachment No. 2 for MP's slightly updated Attachment C.

b. Forced Outages of Generation Plants

On pages 2 and 3 of MP's reply comments, the Company explained that the main driver for the increase in MISO Day 2 charges for FYE19 and FYE20 can be attributed to Minnesota Power having significant outages at the Boswell Generation Facility in 2019. Specifically, in February, March, June, and July 2019, MP had increased MISO charges and these months align with the outages. February had 26 days of outage, March had 29 days of outage, June had 22 days of outage, and July had 20 days of outage, all at the Boswell Generation Facility. Because of these outages, MISO charged higher costs due to MP having less company generation available to serve load.

According to MP, in February 2019 Boswell 4 had a major unplanned outage to repair a hot reheat line steam leak. Attachment D of MP's reply comments includes Minnesota Power's Forced Outage report included in Docket No. AA-20-171, Attachment 15. The unplanned outage information for February 2019 can be found on page 8.

The Department notes that the Commission in its February 6, 2009 Order in Docket No. E,G999/AA-06-1208, *In the Matter of the Review of the 2006 Annual Automatic Adjustment of Charges for All Electric and Gas Utilities*, on page 5 stated the following regarding generation plant outages and the need for adequate maintenance of the plants between rate cases:

The Commission concurs with the Large Power Intervenors and the Department that generation facility outage costs merit careful scrutiny, given their potentially substantial impact on ratepayers.

These parties are correct that utilities have a duty to minimize unplanned facility outages through adequate maintenance, and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of scheduled work. They recommended that the Commission require additional reporting on outage issues and consider developing benchmarks to quantify acceptable outage performance and create financial incentives to keep scheduled and unscheduled outages within specified parameters.

The utilities did not object to providing more detailed data on outages in future reports, but they did oppose benchmarks. They contended that unscheduled outages were situation-specific and did not readily fall into a handful of pre-established categories. They also argued that there was no evidence that utilities were not managing outages, scheduled and unscheduled, competently and resourcefully.



The Commission will require additional reporting, detailed in the ordering paragraphs, to ensure that regulators and the public have the data required to ensure that utilities are managing outages for the maximum protection of ratepayers. These issues can be examined further in future automatic adjustment dockets or in related cases, including the ongoing investigation into the continued appropriateness of automatic adjustments for electric utilities. [Footnotes omitted]

To analyze MP's costs of the high rate of unplanned or forced outages, the Department took the following steps. First, the Department reviewed the net cost of MP's unplanned or forced outages provided on pages 7 to 9 of MP's Attachment D (formerly Attachment 15). The Department notes that, for the July 1, 2018 to December 31, 2019 AAA period, MP incurred \$7.727 million in net forced outage costs as a result of 876,092 lost MWhs.

Next, the Department compared the forced outage costs for the current AAA of \$7.727 million (for 18 months) or \$5.152 million (584,061 lost MWhs) on an annualized basis, to the \$958,000 (270,365 lost MWhs) in FYE18 in Docket No. E999/AA-18-373 and \$769,000 (263,558 lost MWhs) in FYE17 in Docket No. E999/AA-17-492.

The Department notes the following. First, MP's forced outage net costs are approximately 500 percent higher in the current AAA compared to the average of the past two AAA filing periods.<sup>3</sup> Second, the lost MWhs due to unplanned or forced outages increased by 116 to 122 percent when comparing annualized MWhs for the current AAA compared to most recent AAA periods for FYE18 and FYE17.

The Department noted above in our review of actual generation maintenance expense compared to the amounts charged to ratepayers that MP spent 21.9 percent less, on average, for 2018 and 2019 than what is currently charged in MP's rates for generation maintenance expense. The Department notes that for 2019 MP's actual generation maintenance expenses were \$29.6 million, compared to the \$42.0 million provided in rates, resulting in MP underspending generation maintenance expense by \$12.4 million just in 2019.

The Department believes MP's significant underspending of generation maintenance expense in 2019 of \$12.4 million or almost 30% lower than the amount charged to ratepayers put ratepayers at risk of paying higher costs due to forced outages and in fact caused a significant increase in forced outage costs for the AAA reporting period.

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<sup>3</sup> Calculated as follows:  $[(\$5,152,000 - ((\$958,000 + \$769,000)/2)) / ((\$958,000 + \$769,000)/2)] * 100 = 497\%$ .

This result is concerning. Given the high level of forced outage costs, MP's low level of maintenance of generation plants, especially compared to the amounts charge to ratepayers, and the fact that the Commission previously indicated the significance of maintaining generation facilities to keep outage costs reasonable, the Department concludes that MP has not demonstrated that it is reasonable for MP and its shareholders to keep the \$12.4 million in underspent generation maintenance expense (which is a base rate expense) at the same time that ratepayers have had to pay \$7.727 million in forced outage costs via the fuel clause.

To balance between ratepayers and shareholders the burden of the outage costs, the Department recommends that the Commission deny recovery of 50% of MP's forced outage costs for the current AAA period of \$7.727 million, for a resulting denial or exclusion of \$3.864 million in forced outage costs from the fuel clause. Because MP has already charged these costs to ratepayers, the Commission should require the Company to refund \$3.864 million to ratepayers.

## **V. DEPARTMENT ANALYSIS – TRANSFORMER REPORTING (MP)**

### *A. BACKGROUND*

As explained in our AAA Report at page 17, the Department noted that MP did not provide its policy for transformer maintenance in their AAA Report. As a result, the Department asked MP to provide this information in reply comments.

### *B. DEPARTMENT ANALYSIS*

On page 2 of MP's reply comments, the Company noted that it does not have a specific written Transformer Maintenance Policy; instead, preventive maintenance is tracked in the Company's Maximo system. According to MP, oil samples are taken annually and electrical testing is performed every 5 years except on the HVDC transformers, which are tested every 3 years. MP also noted that these intervals follow the recommendation of the Company's insurance provider.

The Department considers MP's transformer maintenance procedures to be reasonable. As a result, the Department recommends that the Commission approve MP's transformer maintenance procedures.

## **VI. DEPARTMENT ANALYSIS – ASSET BASED MARGINS (XCEL ELECTRIC)**

### *A. BACKGROUND*

As explained in our AAA Report at page 35, the Department recommended that Xcel Electric provide its Minnesota net asset-based margins for the July 2018 to June 2019 (FYE19) reporting period and the July 2019 to December 2019 (FYE20) reporting periods in reply comments.

The Department also recommended that Xcel Electric provide in reply comments the asset-based margin calculation showing the February 2019 Minnesota Net Portion and identify the monthly FCA in which these margins were passed back to Minnesota ratepayers.

### *B. DEPARTMENT ANALYSIS*

The Department was unable to locate the Minnesota net asset-based margins for the July 2018 to June 2019 (FYE19) reporting period and the July 2019 to December 2019 (FYE20) reporting periods in Xcel Electric's reply comments. As a result, the Department asked Xcel Electric to provide this information via email. Xcel Electric responded via email that its FYE19 and FYE20 Minnesota net asset-based margins totaled (\$24.5) million and (\$8.6) million, respectively.

Xcel Electric provided its following asset-based margin calculation for February 2019 on pages 3-4 of its reply comments:

Minnesota Asset Based Margin Sharing	(Feb 2019) \$- millions
(1) MISO Day 2 and ASM Intersystem Asset Based	\$15.3
(2) Non-MISO Asset Based Revenue	<u>(\$1.0)</u>
(3) Total Asset Based Revenue (1)+(2)	\$14.3
(4) Less: Cost of Goods Sold	\$9.3
(5) NSP System Asset Based Margins (3)-(4)	\$5.0
(6) Less: Ratepayer Sharing (*)	\$3.2
(7) Less: Other Jurisdictions Specific Adjustments	<u>\$0.9</u>
(8) Other Jurisdictions' Pass-Through/Company Retention	<u>\$0.9</u>
<b>* Ratepayer Sharing Detail</b>	
Minnesota Jurisdiction	\$3,564,967
Less: Other Jurisdictions Specific Adjustments	<u>\$900,166</u>
Minnesota Net Portion	<u>\$2,664,801</u>
Other NSP Jurisdictions	<u>\$585,910</u>
Total NSP Ratepayers Sharing	<u>\$3,250,711</u>

The Department traced the Minnesota Net Portion amount of \$2,664,801 million to Xcel Electric's April 2019 Fuel Clause Adjustment Report filed on March 29, 2019 in Docket No. E002/AA-19-253. As a result, the Department concludes that Xcel Electric properly refunded its January 2019 asset-based margins to Minnesota ratepayers

Based on our review, the Department concludes that Xcel Electric's asset-based margins for FYE19 and FYE20 appear reasonable and recommends that the Commission accept Xcel Electric's asset-based margin reporting for FYE19 and FYE20. The Department will continue to monitor Xcel Electric's asset-based margins in future AAA filing.

## **VII. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

The Department reproduces the Conclusions and Recommendations section from our AAA Report below, revised to reflect our review of the utilities' reply comments. For ease of reference, the section numbers refer to the sections in the Department's AAA Report, rather than the sections in these response comments.

### *A. SECTION II, FILING REQUIREMENTS*

The Department recommends that the Commission accept Xcel Electric's, MP's and OTP's Auditor Reports.

### *B. SECTION III, COMPLIANCE DOCKETS*

The Department recommends that the Commission accept Xcel Electric's compliance filing, including the high-level cost allocation test between wholesale and retail customers for June, July and August of 2019.

The Department concludes that Xcel Electric's Natural Gas Financial Instruments compliance filing complies with the Commission's Order in Docket No. E002/M-01-1953.

The Department recommends that the Commission accept Xcel Electric's Wind Report.

The Department was not a party to the FCA Settlement Agreement approved by the Commission in Docket No. E002/GR-05-1428, and thus invited comments on this information from those who were parties, regarding whether there are any concerns that need to be addressed. No party to the Settlement Agreement provided any comments.

The Department concludes that the IOUs complied with the Commission's February 6, 2008 Order in Docket No. E999/AA-06-1208 and recommends that the Commission accept the IOUs Compliance filings for the AAA reporting period. The Department intends to continue to monitor the IOUs' actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the IOUs' recent rate cases in future AAA filings. The Department will also consider ongoing outage costs on a going forward basis.

The Department concludes that the IOUs complied with the reporting requirement of Order Points 8 and 22 of the April 6, 2012 Order in Docket No. E999/AA-10-884. The Department will continue to monitor the treatment of offsetting revenues and compensation recovered by the utilities in future filings.

The Department concludes that Xcel Electric complied with the April 30, 2010 Order in Docket No. E002/M-10-161 regarding WM Renewable Energy.

The Department concludes that MP provided the required reporting information in compliance with the Commission's March 11, 2011 Order in Docket No. E015/M-10-961 regarding the Manitoba Hydro PPA.

The Department concludes that the Community Solar Garden Program costs included in Xcel Electric's FCA appear reasonable.

The Department recommends that the Commission accept Xcel Electric's transformer reporting for the AAA reporting period.

The Department considers MP's transformer maintenance procedures to be reasonable. As a result, the Department recommends that the Commission approve MP's transformer maintenance procedures.

The Department recommends that the Commission accept OTP's transformer reporting for the AAA reporting period.

The Department concludes that Xcel Electric correctly calculated the interim costs of the Hennepin Energy Recovery Center power purchase agreement.

The Department concludes that Xcel Electric correctly calculated the costs of the Renewable\*Connect Green Pricing programs that appear in the fuel clause adjustment. However, the February 27 Order required Xcel Electric to "provide in its Annual Automatic Adjustment reports a separate section discussing the pilot programs' impact on non-participants and the effectiveness of the neutrality charge to address any cost shift between participants and nonparticipants." Xcel Electric provided the required discussion in reply comments. The Department reviewed Xcel Electric's reply comments and agrees with Xcel Electric's conclusion that "The results continue to directionally indicate that non-participants were not impacted."

The Department concludes that Xcel's total credit for the Flint Hills transaction complies with the Commission's Orders in Docket No. E002/PA-17-529.

The Department concludes that Xcel's total credit for the options for the potential Sherco land sales complies with the Commission's February 6 Order in Docket No. E002/PA-17-528.

The Department concludes that, with the corrections noted by Xcel Electric, the total amount for the Minnesota jurisdiction for the Benson Power transaction in the reporting period complies with the Commission's January 23 Order in Docket Nos. E002/M-17-530 and E002/M-17-551.

The Department concludes that the total amount of \$650,246 for the Minnesota jurisdiction for the Gas Recovery System Energy, LLC transaction complies with the Commission's November 8 Order in Docket No. E002/M-17-531.

The Department concludes that Xcel's total amount of \$26,393,071 for the Minnesota jurisdiction for the Laurentian Energy Authority I, LLC transaction in the reporting period complies with the Commission's January 23 Order in Docket Nos. E002/M-17-530 and E002/M-17-551.

*C. SECTION V, RECOMMENDATIONS FOR MISO DAY 1*

The Commission's June 12, 2019 Order in Docket No. E999/AA-03-802 suspended the need to report data on MISO Day 1. The Department still expects utilities to continue to work hard to mitigate costs or the effects of changes by MISO or FERC that could negatively impact Minnesota retail customers.

*D. SECTION VI, RECOMMENDATIONS FOR MISO DAY 2 REPORTING AND ALLOCATIONS*

- The Department concludes that Xcel Electric reasonably explained its large increase in MISO Day 2 charges for October 2018. As a result, the Department recommends that the Commission accept Xcel Electric's MISO Day 2 reporting and allocations for the AAA reporting period.
- The Department concludes that MP's MISO Day 2 and ASM reporting of net charges and cost allocations is reasonable, except for the high costs of plant outages discussed in the next bullet. As a result, the Department recommends the Commission approve MP's MISO Day 2 and ASM reporting of net charges and cost allocations to be reasonable for the AAA reporting period, *with the exception of plant outage costs discussed in the next bullet.*
- MP's significant underspending of generation maintenance expense in 2019 of \$12.4 million or almost 30% lower than the amounts charged to ratepayers put ratepayers at risk of paying higher costs due to forced outages and in fact caused a significant increase in forced outage costs for the AAA period.
  - Given the high level of forced outage costs, MP's low level of maintenance of generation plants, especially compared to the amounts charge to ratepayers, and the fact that the Commission previously indicated the significance of maintaining generation facilities to keep outage costs reasonable, the

Department concludes that MP has not demonstrated that it is reasonable for MP and its shareholders to keep the \$12.4 million in underspent generation maintenance expense at the same time that ratepayers are paying \$7.727 million in forced outage costs (which are over 500 percent higher than the past two AAA periods) via the fuel clause.

- As a result, the Department recommends that the Commission deny recovery of 50 percent of MP's forced outage costs for the current AAA reporting period of \$7.727 million, for a resulting denial (refund) of \$3.864 million in forced outage costs from the fuel clause.
- The Department recommends that the Commission accept OTP's MISO Day 2 reporting and allocations for the AAA reporting period.

*E. SECTION VI, RECOMMENDATIONS FOR ASSET BASED MARGINS*

- Based on our review, the Department concludes that Xcel Electric's asset-based margins for FYE19 and FYE20 appear reasonable and recommends that the Commission accept Xcel Electric's asset-based margin reporting for the AAA reporting period.
- The Department concludes that MP's asset-based margins for the AAA reporting period appear to be reasonable.
- The Department concludes that OTP's asset-based margins for the AAA reporting period appear to be reasonable.

*F. SECTION VII, RECOMMENDATIONS FOR ANCILLARY SERVICES MARKET*

- The Department reviewed Xcel Electric's ASM charges and concludes that, although there is some fluctuation in various amounts, Xcel Electric's ASM charges for the AAA reporting period appear to be reasonable. As a result, the Department recommends that the Commission accept Xcel Electric's ASM reporting for the AAA reporting period.
- The Department reviewed MP's ASM charges and concludes that they are reasonable. As a result, the Department recommends that the Commission accept MP's ASM reporting for the AAA reporting period.
- The Department reviewed OTP's ASM charges and concludes that they are reasonable. As a result, the Department recommends that the Commission accept OTP's ASM reporting for the AAA reporting period.

## Maintenance Expenses of Generation Plants

## Actual Maintenance Expense

	2014	2015	2016	2017	2018	2019	2018-2019 Average
Xcel	207,105,781	199,893,337	187,845,248	160,546,634	173,416,699	161,116,736	167,266,718
OTP	16,587,034	14,646,839	13,573,426	12,540,306	15,365,941	15,589,236	15,477,589
MP	42,236,247	40,475,462	38,505,407	38,555,947	36,050,836	29,564,813	32,807,825

MP's data includes wind maintenance expenses when compared to previous DOC reported 2014-2016 data.

MP's 2019 Maintenance Expense is projected, not actuals.

	Most Recent Rate Case	Test Year	Test Year Budgeted Maintenance Expense	2018-2019 Avg. Actual Maintenance Expense	Difference: Actual less Budgeted	Percentage Difference
Xcel	GR-15-826	2016	\$ 184,709,427	\$ 167,266,718	\$ (17,442,710)	-9.4%
OTP	GR-15-1033	2016	\$ 15,099,063	\$ 15,477,589	\$ 378,526	2.5%
MP	GR-16-664	2017	\$ 41,998,904	\$ 32,807,825	\$ (9,191,080)	-21.9%



**Minnesota Power Bridging Schedule**

	Feb-19
<b>Total MP MISO Costs</b>	
R.E. - Generation to Load LMP Difference	704,160.48
MISO to MISO	
Admin	121,462.95
Market Charges	(312,846.66)
<b>Total</b>	<b>512,776.77</b>
<b>MISO COSTS IN FAC</b>	
R.E. - Generation to Load LMP Difference	573,452.04
MISO to MISO	-
Admin	98,916.62
Market Charges	(254,775.10)
<b>Total</b>	<b>417,593.56</b>
<b>MISO COSTS RECOVERED THRU IS-S</b>	
R.E. - Generation to Load LMP Difference	\$130,708.44
MISO to MISO	
Admin	\$22,546.33
Market Charges	(58,071.56)
<b>Total</b>	<b>95,183</b>
<b>FAC Portion</b>	<b>81%</b>
<b>IS-S Portion</b>	<b>19%</b>

	Feb-19
Asset Energy in FAC (Spectrum Model)	
MISO Balance	\$12,587,921.25
FinSched/Physicals	-
<b>Total</b>	<b>12,587,921</b>

<b>Total Asset Energy in FAC</b>	<b>13,161,373.29</b>
Total Market and Admin in FAC	(155,858.47)
	<b>13,005,514.81</b>

To Allocate the FAC Portion between Retail & Resale FAC:	
KWH Subject to Retail FAC	Feb-19
FAC # 16	705,799,281
FAC # 17	0
Less Solar Generation and Purchases	326,322
<b>Subtotal Retail</b>	<b>705,472,959</b>
Resale FAC #19/ MEA True Up	131,555,974
Retail FAC Denominator	837,028,933
<b>Total KWH subject to Retail/Resale FAC</b>	<b>837,028,933</b>
Percentage of Retail	84%
Percentage of Resale	16%
	100%
	11,055,553.56

Total MISO in FAC 13,005,514.81

**RE Breakdown (inputs)**

DA Loss	1,004,868.23
DA Congestion	103,090.27
RT Loss	(380,128.41)
RT Congestion	(23,669.61)

**Total RE** 704,160.48

**RE for Retail FAC (calculated)**

DA Loss	687,406.85
DA Congestion	70,521.64
RT Loss	(260,036.96)
RT Congestion	(16,191.83)

**Total RE for Retail FAC** 481,699.71

**RE for Resale FAC (calculated)**

DA Loss	130,934.64
DA Congestion	13,432.69
RT Loss	(49,530.85)
RT Congestion	(3,084.16)

**Total RE for Resale FAC** 91,752.33

**RE for ISS (calculated)**

DA Loss	186,526.74
DA Congestion	19,135.93
RT Loss	(70,560.61)
RT Congestion	(4,393.63)

**Total RE for ISS** 130,708.44

**Contract Sales Mwh's (inputs)**

BASIN	67,200
TRANSALTA	27,200
NEXTERA	29,920
MPC	52,255
OCONTO	11,106

**Total Contract Sales Mwh's** 187,681

**GRE Mwh's not subject to RE (input)** -

**Contract Sales Mwh's subject to RE** 135,426  
(does not include Alliant or Tach 2 portion of GRE)

**Contract Sales Mwh's subject to MISO charges** 135,426

<b>RE cost per Mwh (input) (from hourly adder)</b>	0.69
<b>Other MISO cost per Mwh (input) (from hourly adder)</b>	-0.19
<b>Total sales MWh (input) (from hourly adder)</b>	1,019,695

**Other Sales Mwh's (inputs)**

Total Liquidation Mwh's	43,069
MISO Balance sales and MISO_Sale	33,314
MISO Balance in Liquidation	33,314
Interruptible Sales	-
IPS / EXCESS ENERGY Sales	1,629
Total ISS for Fuel Adjust	286,392
Total Sales from FAC calc	1,125,376
WPPI, FPL Station Service (not applied MISO Charges)	2,465

**adjustment to MISO balance liquidation (input)**

**For allocation purposes (calculated)**

MISO Non-Liquidation	-
MISO Liquidation	33,314
Others - Liquidation	9,755
Others - Non-Liquidation	57,597

| KWH Subject to Retail FAC  
| FAC # 16 (original number submitted in September 08)

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Response Comments**

**Docket No. E999/AA-20-171**

Dated this **28<sup>th</sup>** day of **May 2020**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_20-171_AA-20-171
Daniel	Beckett	daniel.beckett@state.mn.us	Department of Commerce	85 7th Pl E #500 Saint Paul, Minnesota 55101	Electronic Service	No	OFF_SL_20-171_AA-20-171
Peter	Beithon	pbeithon@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_20-171_AA-20-171
Nancy	Campbell	Nancy.campbell@state.mn.us	Department of Commerce	121 Seventh Place East Suite 200  St. Paul, MN 551012145	Electronic Service	No	OFF_SL_20-171_AA-20-171
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-171_AA-20-171
Hillary	Creurer	hcreurer@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 55802	Electronic Service	No	OFF_SL_20-171_AA-20-171
David	Dahlberg	davedahlberg@nweco.com	Northwestern Wisconsin Electric Company	P.O. Box 9 104 South Pine Street Grantsburg, WI 548400009	Electronic Service	No	OFF_SL_20-171_AA-20-171
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-171_AA-20-171
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_20-171_AA-20-171
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_20-171_AA-20-171

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Matt	Harris	matt.b.harris@xcelenergy.com	XCEL ENERGY	401 Nicollet Mall FL 8 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_20-171_AA-20-171
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Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_20-171_AA-20-171
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_20-171_AA-20-171
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Samir	Ouanes	samir.ouanes@state.mn.us	Department of Commerce	85 7th Place East, Suite 500 St Paul, MN 55101	Electronic Service	No	OFF_SL_20-171_AA-20-171

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Stephen	Rakow	stephen.rakow@state.mn.us	Department of Commerce	Suite 280 85 Seventh Place East St. Paul, MN 551012198	Electronic Service	No	OFF_SL_20-171_AA-20-171
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-171_AA-20-171
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-171_AA-20-171
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street  Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_20-171_AA-20-171
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_20-171_AA-20-171
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_20-171_AA-20-171
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE  Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_20-171_AA-20-171
Michael	Zajicek	Michael.Zajicek@state.mn.us	Department of Commerce	85 East Seventh Place Suite 500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_20-171_AA-20-171